

The effective note circulation—that is, notes in the hands of the public—was £(N.Z.)40·757 millions on the 31st March, 1948, an increase of £(N.Z.)1·124 millions for the year. The effective note circulation by denominations on the 31st March, 1948, compared with the 31st March, 1947, was as follows:—

(£(N.Z.)000)

—					31st March, 1947.	31st March, 1948.	Increase.
							Per Cent.
10s.	..	..	..	..	1,143	1,171	2·4
£1	..	..	..	..	9,422	9,434	0·1
£5	..	..	..	..	22,486	23,117	2·8
£10	..	..	..	..	4,218	4,687	11·1
£50	..	..	..	..	2,001	1,987	— 0·7
Trading bank notes outstanding					363	361	— 0·6
					39,633	40,757	..

Demand Liabilities

(c) *State*.—Total deposits held by the Bank under this heading showed an increase of £(N.Z.)0·31 millions, from £(N.Z.)22·84 millions on 31st March, 1947, to £(N.Z.)23·15 millions on 31st March, 1948.

(b) *Banks*.—The total deposits held by the trading banks at the Reserve Bank declined by £(N.Z.)7·44 millions, from £(N.Z.)54·54 millions on the 31st March, 1947, to £(N.Z.)47·10 millions on the 31st March, 1948.

This decrease is due in the main to large purchases of sterling from the Reserve Bank. Although the proceeds of wool exported during the year were received direct by the banks, these purchases were necessary to enable them to finance the greatly increased volume of imports which came into New Zealand during the year.

Further reference to imports will be found later in this report.

The decline in the trading banks' deposits would have been greater but for the fact that as a matter of Government policy their holdings of New Zealand Government stocks maturing 15th September, 1947, which amounted to £(N.Z.)2,691,600, were repaid on due date. Since they were not permitted to reinvest in Government stocks, their accounts at the Reserve Bank were credited with this amount.

No alteration was made to the statutory minimum balances which the trading banks are required to hold at the Reserve Bank—namely, 7 per cent. of their demand liabilities and 3 per cent. of their time liabilities in New Zealand. The statutory minimum balances as on the 31st March, 1948, amounted to £(N.Z.)11·1 millions.

ASSETS

Sterling Exchange

On the 31st March, 1948, holdings of sterling exchange totalled £(N.Z.)69,442,400, compared with £(N.Z.)85,847,760 on the 31st March, 1947, a decrease of £(N.Z.)16·41 millions. The average holding throughout the year was approximately £(N.Z.)7 millions less than the average for the previous year. The banking system's holdings of foreign exchange are dealt with later in this report.